

**MEXICAN AND U.S. TAX AUTHORITIES EXTEND TAX REGIME
APPLICABLE TO MAQUILADORAS BEYOND 2002**

WASHINGTON -- Mexican and U.S tax authorities have concluded negotiations on an Addendum to the United States - Mexico Competent Authority Agreement on the Maquiladora Industry, signed on October 27th, 1999. With this Addendum, both authorities agree to extend the Agreement beyond taxable year 2002.

The Addendum entered into force on August 3, 2000 and provides legal certainty to current and new investors in this important industry sector. One of the reasons for negotiating the Agreement in the first instance was the absence of international guidance on the taxation of income attributable to manufacturing activities of a permanent establishment. Therefore, the Addendum establishes that upon the issuance of OECD guidelines in this regard either Competent Authority may notify the other of its intent to terminate the Agreement (at the end of the taxable year in which such notice is given if it is given in the first half of the year and at the end of the taxable year following the year in which notice is given if it is given in the second half), during which time both governments will attempt to agree on the proper application of such guidelines or on extending the Agreement if that is determined to be more appropriate.

The Addendum also establishes that, based on new facts and circumstances, either Competent Authority may request after taxable year 2002, through formal notification, that the rates established in the Agreement as "Safe Harbor" options for the computation of the taxable base be reviewed and adjusted. Failure to reach an agreement on rate revisions within one year from the date of notification will cause the Agreement to terminate at the end of the taxable year in which the one-year period expires.

In no event will the Agreement be terminated before the end of taxable year 2002. The Parties agree to make a public announcement within 15 days if any of the above-mentioned notifications is given.

Also, both Parties have agreed to discuss, on a case-by-case basis, permanent establishment issues that may arise from the relationship between a U.S. resident and an unrelated maquiladora (Shelter Maquiladoras).

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